

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>		Printed Name		License Number

ST. CLAIR AREA FIRE AUTHORITY

St. Clair, Michigan

FINANCIAL STATEMENTS

September 30, 2007

ST. CLAIR AREA FIRE AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the St. Clair Area Fire Authority Board
St. Clair, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregated remaining fund information of the St. Clair Area Fire Authority as of and for the year ended September 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the St. Clair Area Fire Authority as of September 30, 2007, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Clair Area Fire Authority's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Berthiaume & Co.

Saginaw, Michigan
November 21, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

ST. CLAIR AREA FIRE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the St. Clair Area Fire Authority's financial statements provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2007. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to provide a basic understanding of the St. Clair Area Fire Authority's statements. These statements comprise three components: (1) government-wide financial statements, (2) fund (modified accrual) financial statements, and (3) notes to the financial statements. Supplementary information is also provided for additional information purposes.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the St. Clair Area Fire Authority's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the St. Clair Area Fire Authority's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund (Modified Accrual) Financial Statements

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds (modified accrual) statements with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near term financing decisions.

The St. Clair Area Fire Authority adopts an annual budget for the operating fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund (modified accrual) financial statements.

FINANCIAL HIGHLIGHTS

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial

ST. CLAIR AREA FIRE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

position. As shown on the chart below, the Authority's assets exceeded liabilities by \$402,315 at the end of the fiscal year.

The net assets is separated into two major components, investment in capital assets net of related debt, which amounted to \$323,630 or 80 percent of net assets, and unrestricted net assets of \$78,685 or 20 percent.

When comparing this fiscal year to the previous year, net assets have increased by \$85,817.

The following table shows the net assets as of September 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets:		
Other assets	\$ 753,472	\$ 440,471
Capital assets	<u>1,106,475</u>	<u>1,117,845</u>
Total assets	<u>1,859,947</u>	<u>1,558,316</u>
Liabilities:		
Other liabilities	690,947	391,837
Long-term liabilities	<u>766,685</u>	<u>849,981</u>
Total liabilities	<u>1,457,632</u>	<u>1,241,818</u>
Net Assets:		
Invested in capital assets, net of related debt	323,630	248,967
Unrestricted	<u>78,685</u>	<u>67,531</u>
Total net assets	<u>\$ 402,315</u>	<u>\$ 316,498</u>

The following table presents the changes in net assets for the year ended September 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Revenues:		
Fire contracts	\$ 521,187	\$ 516,000
Grants	120,943	-
Interest	<u>18,532</u>	<u>11,504</u>
Total revenues	<u>660,662</u>	<u>527,504</u>
Expenses:		
Operations	381,565	348,510
Depreciation	159,955	148,721
Debt service	<u>33,325</u>	<u>35,756</u>
Total expenses	<u>574,845</u>	<u>532,987</u>
Change in net assets	85,817	(5,483)
Net assets, beginning of year	<u>316,498</u>	<u>321,981</u>
Net assets, end of year	<u>\$ 402,315</u>	<u>\$ 316,498</u>

ST. CLAIR AREA FIRE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of Fund (Modified Accrual) Statements

As noted earlier, the focus of the fund (modified accrual) financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority reported an ending fund balance of \$73,323, an increase of \$5,792 from the prior year.

BUDGETARY HIGHLIGHTS

The Authority annually prepares formal budgets with amendments made when necessary. There were no budget amendments for the year. The only significant difference between the original budget and the actual result was revenues for federal grants, of \$120,943, that was not anticipated and the corresponding capital outlay.

CAPITAL ASSETS

The Authority had \$1,106,475 in capital assets, net of accumulated depreciation, at September 30, 2007, which was a decrease of \$11,370. During the year, the Authority purchased Motorola Walkie-Talkies, turn-out gear and defibulators with a total cost of \$148,585. Depreciation for the year was \$159,955.

The following table summarizes the capital assets at September 30, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Building improvements	\$ 40,845	\$ 40,845
Vehicles	1,436,174	1,436,174
Other equipment	<u>173,509</u>	<u>24,924</u>
Total depreciable capital assets	1,650,528	1,501,943
Accumulated depreciation	<u>(544,053)</u>	<u>(384,098)</u>
	<u>\$ 1,106,475</u>	<u>\$ 1,117,845</u>

LONG-TERM DEBT

As of September 30, 2007, the Authority had \$766,685 in long-term debt compared to \$849,981 at September 30, 2006. During the year, there was no new debt. However, on October 1, 2007, the Authority issued a note for \$11,918 for the purchase of an Air charger.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For fiscal 2008, the Authority has adopted a balanced budget with anticipated revenues and expenditures of \$557,413. This is an increase of \$36,226 or 7.0% from fiscal 2007.

CONTACTING THE AUTHORITY MANAGEMENT

This financial report is designed to provide a general overview of the St. Clair Area Fire Authority's finances and to show accountability. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the St. Clair County Area Fire Authority, 214, St. Clair, MI 48079.

BASIC FINANCIAL STATEMENTS

ST. CLAIR AREA FIRE AUTHORITY

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS

September 30, 2007

	<i><u>Governmental Fund</u></i>	<i><u>Adjustments (Note 2)</u></i>	<i><u>Statement of Net Assets</u></i>
Assets:			
Cash and cash equivalents	\$ 733,657	\$ -	\$ 733,657
Prepaid expenditures/expenses	14,453	5,362	19,815
Capital assets:			
Depreciable capital assets, net	<u>-</u>	<u>1,106,475</u>	<u>1,106,475</u>
Total assets	<u><u>\$ 748,110</u></u>	<u><u>1,111,837</u></u>	<u><u>1,859,947</u></u>
Liabilities and Fund Balance:			
<i>Liabilities:</i>			
Accounts payable	\$ 2,436	-	-
Accrued payroll taxes	9,630	-	-
Accrued fire runs	105,308	-	-
Deferred revenue	557,413	-	557,413
Accrued interest	-	16,160	16,160
Long-term debt:			
Due within one year	-	87,039	87,039
Due in more than one year	<u>-</u>	<u>679,646</u>	<u>679,646</u>
Total liabilities	<u>674,787</u>	<u>782,845</u>	<u>1,340,258</u>
<i>Fund Balance:</i>			
Reserved - prepaid expenditures	14,453	-	-
Unreserved	<u>58,870</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>73,323</u>		
Total liabilities and fund balance	<u><u>\$ 748,110</u></u>		
Net Assets:			
Invested in capital assets, net of related debt		323,630	323,630
Unrestricted		<u>-</u>	<u>78,685</u>
Total net assets		<u><u>\$ 323,630</u></u>	<u><u>\$ 402,315</u></u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR AREA FIRE AUTHORITY

STATEMENT OF GOVERNMENTAL REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

	<i><u>Governmental Fund</u></i>	<i><u>Adjustments (Note 2)</u></i>	<i><u>Statement of Activities</u></i>
Revenues:			
Fire contracts:			
Charter Township of East China	\$ 77,136	\$ -	\$ 77,136
Charter Township of China	54,203	-	54,203
City of St. Clair	247,043	-	247,043
St. Clair Township	142,805	-	142,805
Federal grants	120,943	-	120,943
Interest	18,532	-	18,532
Total revenues	<u>660,662</u>	<u>-</u>	<u>660,662</u>
Expenditures/Expenses:			
Operations	386,927	(5,362)	381,565
Depreciation	-	159,955	159,955
Capital outlay	148,585	(148,585)	-
Debt service	119,358	(86,033)	33,325
Total expenditures/expenses	<u>654,870</u>	<u>(80,025)</u>	<u>574,845</u>
Net change in fund balance/net assets	5,792	80,025	85,817
Fund balance/Net assets, beginning of year	<u>67,531</u>	<u>248,967</u>	<u>316,498</u>
Fund balance/Net assets, end of year	<u>\$ 73,323</u>	<u>\$ 328,992</u>	<u>\$ 402,315</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

ST. CLAIR AREA FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Authority included in the basic financial statements conform to U.S. generally accepted accounting principles applicable to state and local governments.

A. Reporting Entity -

The St. Clair Area Fire Authority was created as legal and administrative agency pursuant to the Urban Cooperation Act, PA 1967, Ex. Sess., No. 7. It is a quasi governmental agency organized to provide fire fighting services to the participating municipalities, currently the City of St. Clair, the Charter Townships of East China and China and St. Clair Townships. The Authority is operated by an eight (8) member board, two (2) from each of the participating municipalities.

B. Government-wide and Fund Financial Statements -

The governmental-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information of all of its activities of its authority. The St. Clair Area Fire Authority is accounted for in one governmental type fund.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation -

The government-wide financial statements (i.e. the Statement of Net Assets and Statement of Activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The fund (modified accrual) statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

D. Assets, Liabilities and Net Assets or Equity -

Cash Equivalents - Cash equivalents are deposits and short-term investments that are readily convertible to cash or have a maturity date of 90 days or less from the date of purchase.

ST. CLAIR AREA FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2007

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following:

Building improvements	20-27.5 years
Vehicles	10 years
Other equipment	3-10 years

The Authority utilizes a number of assets that were purchased by the applicable entities prior to organizing as an Authority. These assets are not recorded in the Authority financial statements, but rather in the municipalities that purchased the assets.

Deferred Revenues - In both the government-wide and in the fund (modified accrual) financial statements, revenue received or recorded before it is earned is recorded as a deferred revenue. In addition, in the fund statements, revenues that are not both measurable and available are recorded as deferred revenues.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement.

In the fund financial statements, these items are recorded as an expenditure when paid.

Estimates - In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ST. CLAIR AREA FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2007

NOTE 2: RECONCILIATION OF FUND/GOVERNMENT-WIDE FINANCIAL STATEMENTS

- A.** Explanation of differences between the fund (modified accrual) balance sheet and the government wide statement of net assets.

Fund balance		\$	73,323
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Capital assets used in the modified accrued activities are not financial resources and therefore are not reported in the governmental fund.

Capital assets	1,650,528	
Less accumulated depreciation	<u>(544,053)</u>	1,106,475

Expenses recorded in the fund on the purchase method	5,362
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Accrued interest payable on long-term debt	(16,160)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.	<u>(766,685)</u>
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Net assets	<u><u>\$ 402,315</u></u>
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- B.** Explanation of differences between the fund (modified accrual) statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

Change in fund balance	\$	5,792
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The governmental fund reports capital outlay as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	148,585	
Less depreciation expense	<u>(159,955)</u>	(11,370)

Expenses recorded in the fund on the purchase method.	5,362
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Interest payable on long-term debt reported in the statement of activities is not payable from current financial resources and therefore not reported in the fund.	2,737
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Repayments of principal on notes are expenditures in the governmental fund, but the payments reduce long-term liabilities in the statement of net assets.	<u>83,296</u>
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Change in net assets	<u><u>\$ 85,817</u></u>
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ST. CLAIR AREA FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2007

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations in Budgeted Funds:

The Uniform Budgetary and Accounting Act, PA 2 of 1968, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Authority's budget was approved at the account level.

During the year, the Authority incurred expenditures that were in excess of the amounts appropriated, as follows:

	<i>Final Budget</i>	<i>Actual</i>	<i>Excess</i>
Regular wages	\$ 216,112	\$ 219,218	\$ 3,106
Fringes	45,744	45,963	219
Uniforms	2,448	3,885	1,437
Contracted services	9,600	10,396	796
Gas and oil	3,000	3,358	358
Liability and property damage	26,778	29,764	2,986
Repairs and maintenance	14,800	17,362	2,562
Membership and dues	1,200	2,314	1,114
Noncapitalized expenses	-	4,486	4,486

NOTE 4: DEPOSITS AND INVESTMENTS

Deposits –

Act 217 PA 1982, as amended, authorizes the Authority to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, by section 21.145 and 21.146 of the Michigan Compiled Laws.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of September 30, 2006, the Authority maintained one checking account with a carrying value of \$542,616, and a bank balance of \$566,909 and one savings CD account with a carrying value and bank balance of \$191,041. Of the bank balances, \$200,000 was FDIC insured with the balance of \$557,950 uninsured and uncollateralized.

ST. CLAIR AREA FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2007

NOTE 5: CAPITAL ASSETS

Capital assets for the year ended September 30, 2007 was as follows:

	<u>October 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2007</u>
Depreciable capital assets				
Building improvements	\$ 40,845	\$ -	\$ -	\$ 40,845
Vehicles	1,436,174	-	-	1,436,174
Other equipment	24,924	148,585	-	173,509
Total depreciable capital assets	1,501,943	148,585	-	1,650,528
Accumulated depreciation	(384,098)	(159,955)	-	(544,053)
Capital assets, net	<u>\$ 1,117,845</u>	<u>\$ (11,370)</u>	<u>\$ -</u>	<u>\$ 1,106,475</u>

As indicated in Note 1, the Authority utilizes building and equipment purchased by the member municipalities prior to the forming of the Authority. These assets are not recorded in the Authority's financial statements but rather by the municipalities that purchased the assets.

NOTE 6: DEFERRED REVENUE

In both the government-wide and the fund (modified accrual) financial statements, revenue received or recorded before it is earned is recorded as deferred revenue. In addition, in the fund financial statements, revenue that is not both measurable and available is recorded as deferred revenue. At September 30, 2007, the Authority had deferred revenue of \$557,413 for fire contracts.

NOTE 7: LONG-TERM LIABILITIES

The Authority had the following long-term liabilities outstanding at September 30, 2007.

	<u>October 1, 2006</u>	<u>Additions</u>	<u>Payments</u>	<u>September 30, 2007</u>	<u>Due Within One Year</u>
2006 Note - Refinancing					
Due in annual installments of					
\$89,958 through April 1, 2016					
including interest at 4.25%	\$ 720,000	\$ -	\$ (59,096)	\$ 660,904	\$ 61,870
2006 Note - Pumper truck					
Due in annual installments of					
\$29,400 through February 8, 2011					
including interest at 4.00%	129,981	-	(24,200)	105,781	25,169
	<u>\$ 849,981</u>	<u>\$ -</u>	<u>\$ (83,296)</u>	<u>\$ 766,685</u>	<u>\$ 87,039</u>

ST. CLAIR AREA FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2007

Annual debt service requirements to maturity for the above note obligations are as follows:

<i><u>Year Ended</u></i> <i><u>September 30,</u></i>	<i><u>Principal</u></i>	<i><u>Interest</u></i>	<i><u>Total</u></i>
2008	\$ 87,039	\$ 32,319	\$ 119,358
2009	90,675	28,683	119,358
2010	94,462	24,896	119,358
2011	97,311	20,950	118,261
2012	73,077	16,881	89,958
2013	76,183	13,775	89,958
2014	79,420	10,538	89,958
2015	82,796	7,162	89,958
2016	<u>85,722</u>	<u>3,643</u>	<u>89,365</u>
	<u>\$ 766,685</u>	<u>\$ 158,847</u>	<u>\$ 925,532</u>

NOTE 8: FUNDING

The Authority is financed each year by the participating municipalities. This funding represents approximately 98% of total revenues for the year ending September 30, 2007. Consequently, the Authority's ability to provide services is dependent upon the continuing support of those municipalities.

NOTE 9: RISK MANAGEMENT

The Authority is exposed to various risk of loss related to property loss, torts, errors and omissions, injuries to employees, medical benefits provided to employees, etc. The Authority carries commercial insurance for each of these types of losses, however, would be responsible should the limits of coverage be exceeded.

NOTE 10: EMPLOYEE PENSION PLAN

Plan Description – The Authority participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer statewide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

Funding Policy – The plan adopted by the Authority Board requires no member contributions. The Authority is required to contribute at an actuarially determined rate; the current rate was xx.xx percent of eligible payroll based on the December 31, 2004 valuation. The contribution requirements of plan members and the Authority are established and may be amended by the Authority, depending on the MERS contribution program adopted by the Authority.

ST. CLAIR AREA FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2007

Annual Pension Costs – For the year ended September 30, 2007, the Authority's annual pension cost of \$5,362 for the plan was equal or exceeded the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age actuarial cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year compounded annually, attributable to inflation; (iii) additional projected salary increases ranging from 4.5% to 8.66% per year, depending on age, attributable to seniority/merit; and (iv) the assumption that benefits will increase 2.5% per year for employees under E-1 or E-2. The actuarial value of MERS assets was determined using techniques on a basis evaluation method that assumes the fund earns the expected rate of return (8%) and includes as adjustment to reflect market value. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

Three year trend information as of September 30 follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Annual pension cost	\$ 5,362	\$ 6,549	\$ 3,427
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Schedule of funding progress follows:

<u>Actuarial Valuation Date</u>	<u>12/31/06</u>	<u>12/31/05</u>	<u>12/31/04</u>
Actuarial Value of Assets	\$ 64,108	\$ 53,115	\$ 43,717
Actuarial Accrued Liability (AAL)	12,327	4,829	-
Unfunded AAL (UAAL)	(51,781)	(48,286)	(43,717)
Funded Ratio	-	-	-
Covered Payroll	44,303	38,518	29,277
UAAL as a percentage of covered payroll	-	-	-

REQUIRED SUPPLEMENTAL INFORMATION

ST. CLAIR AREA FIRE AUTHORITY

GOVERNMENTAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2007

	<i>Budgeted Amounts</i>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
Fire contracts	\$ 521,187	\$ 521,187	\$ 521,187	\$ -
Federal grants	-	-	120,943	120,943
Interest	-	-	18,532	18,532
Total revenues	<u>521,187</u>	<u>521,187</u>	<u>660,662</u>	<u>139,475</u>
Expenditures:				
Operations	394,187	394,187	386,927	(7,260)
Capital outlay	127,000	127,000	148,585	21,585
Debt service	-	-	119,358	119,358
Total expenditures	<u>521,187</u>	<u>521,187</u>	<u>654,870</u>	<u>133,683</u>
Net change in fund balance	-	-	5,792	5,792
Fund balance, beginning of year	<u>67,531</u>	<u>67,531</u>	<u>67,531</u>	<u>-</u>
Fund balance, end of year	<u>\$ 67,531</u>	<u>\$ 67,531</u>	<u>\$ 73,323</u>	<u>\$ 5,792</u>

OTHER SUPPLEMENTAL INFORMATION

ST. CLAIR AREA FIRE AUTHORITY

GOVERNMENTAL FUND

DETAILED SCHEDULE OF OPERATING EXPENDITURES

Years Ended September 30, 2007 and 2006

	<i>2007</i>		<i>2006</i>	
	<i>Original/ Final Budget</i>	<i>Actual</i>	<i>Actual Over (Under) Final Budget</i>	<i>Actual</i>
Regular wages	\$ 216,112	\$ 219,218	\$ 3,106	\$ 182,691
Fringes	45,744	45,963	219	38,165
General maintenance	6,655	6,655	-	6,525
Contracted equipment maintenance	4,200	4,200	-	3,660
Operating supplies	13,760	10,351	(3,409)	11,436
Uniforms	2,448	3,885	1,437	966
Uniform maintenance	900	900	-	900
Hiring / Medical Costs	2,000	1,419	(581)	371
Contracted services	9,600	10,396	796	11,204
Telephone	2,300	1,530	(770)	4,244
Gas and oil	3,000	3,358	358	7,282
Liability and property damage	26,778	29,764	2,986	31,164
Public utilities	19,000	15,101	(3,899)	11,868
Repairs and maintenance	14,800	17,362	2,562	17,277
Education and training	16,490	9,731	(6,759)	12,231
Membership and dues	1,200	2,314	1,114	1,193
Miscellaneous expense	9,200	294	(8,906)	1,002
Noncapitalized equipment	-	4,486	4,486	6,331
	<u>\$ 394,187</u>	<u>\$ 386,927</u>	<u>\$ (7,260)</u>	<u>\$ 348,510</u>

ST. CLAIR AREA FIRE AUTHORITY

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

Year Ended September 30, 2007

2006 NOTE - PUMPER TRUCK

Issue dated February 8, 2006 in the amount of	\$	129,981
Less: Principal paid in prior years		-
Principal paid in current year		<u>(24,200)</u>
Balance payable at September 30, 2007	\$	<u>105,781</u>

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Principal due</i>	<i>Interest due</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2008	4.00%	\$ 25,169	\$ 4,231	\$ 29,400
2009	4.00%	26,176	3,224	29,400
2010	4.00%	27,223	2,177	29,400
2011	4.00%	<u>27,213</u>	<u>1,091</u>	<u>28,304</u>
		<u>\$ 105,781</u>	<u>\$ 10,723</u>	<u>\$ 116,504</u>

2006 NOTE - REFINANCING

Issue dated March 29, 2006 in the amount of	\$	720,000
Less: Principal paid in prior years		-
Principal paid in current year		<u>(59,096)</u>
Balance payable at September 30, 2007	\$	<u>660,904</u>

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Principal due</i>	<i>Interest due</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2008	4.25%	\$ 61,870	\$ 28,088	\$ 89,958
2009	4.25%	64,499	25,459	89,958
2010	4.25%	67,239	22,719	89,958
2011	4.25%	70,098	19,860	89,958
2012	4.25%	73,077	16,881	89,958
2013	4.25%	76,183	13,775	89,958
2014	4.25%	79,420	10,538	89,958
2015	4.25%	82,796	7,162	89,958
2016	4.25%	<u>85,722</u>	<u>3,645</u>	<u>89,367</u>
		<u>\$ 660,904</u>	<u>\$ 148,127</u>	<u>\$ 809,031</u>